



Director of

OCPAS/CIS

CY# 285

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National Intelligence Daily

Saturday
25 August 1984

~~Top Secret~~

CPAS NID 84-200JX

25 August 1984

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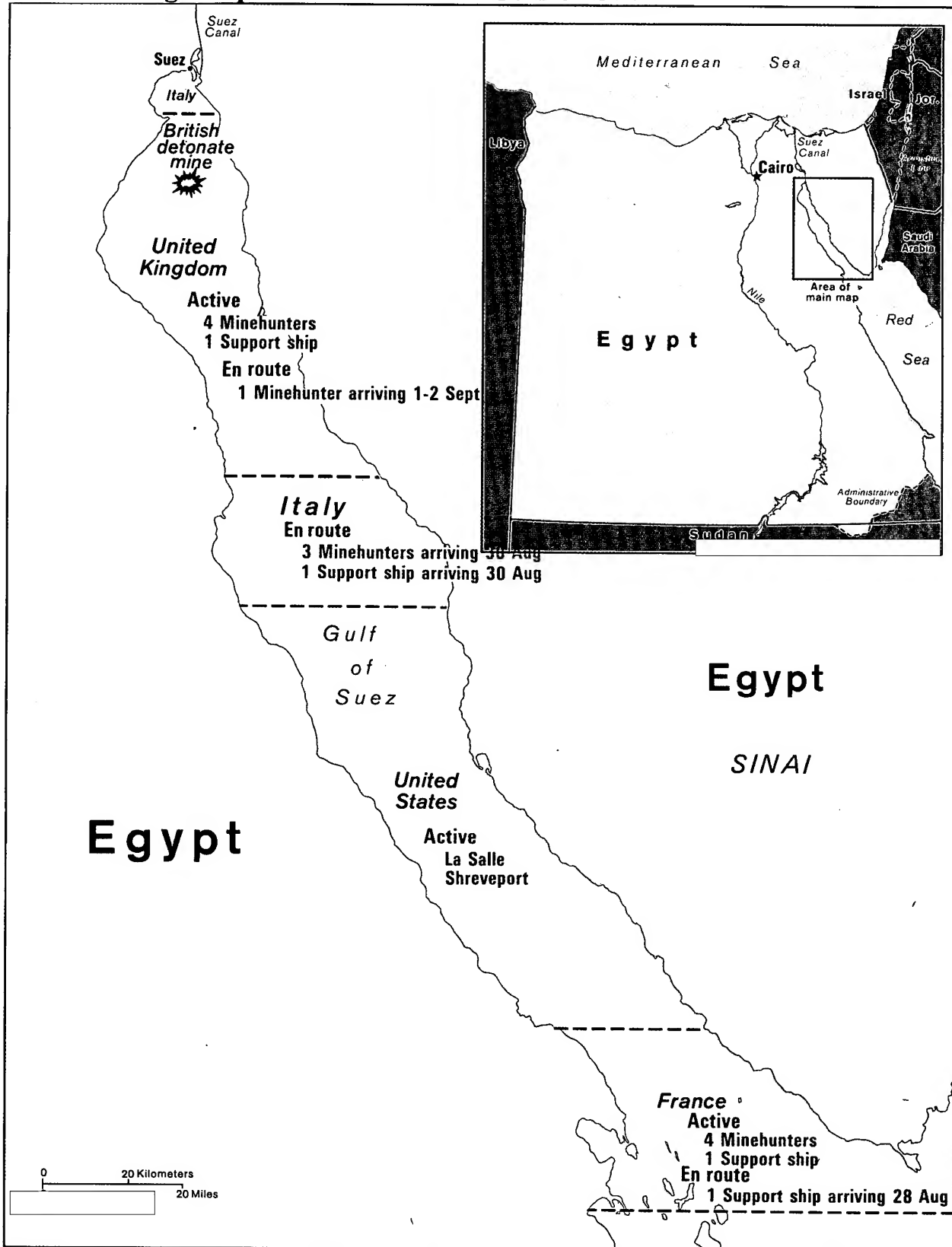
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Minehunting Responsibilities in the Gulf of Suez

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MIDDLE EAST:**Developments in the Red Sea**

British teams operating in the northern Gulf of Suez yesterday detonated an object on the bottom that they believe was a mine.

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No mines were reported by French minehunters yesterday when they scanned the Suez Canal during their passage to the Red Sea. The French are continuing their efforts north of the Saudi port of Jiddah.

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Comment: The object blown up by the British may have been a Soviet mine left over from the Arab-Israeli wars. Egypt still may request a US sweep of the Suez Canal despite yesterday's operation by the French. There is no indication, however, that mines have been placed in the Canal.

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North Yemen-USSR Developments

North Yemen has refused Moscow's offer to assist in minesweeping, according to US Embassy officials in Sanaa. North Yemen emphasized that it also is not interested in Western assistance. A day earlier, the North Yemeni Prime Minister told the West German Ambassador that Sanaa is worried about the effect of the mining on North Yemen's economy.

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Comment: North Yemen nevertheless is concerned that the mining incident will delay delivery of equipment needed to exploit a recent oil discovery by a US firm. If the mine threat persists and jeopardizes the delivery of additional oil-drilling rigs and equipment, North Yemen is likely to request West European assistance.

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Libyan-French Relations

The Libyan ship Ghat, which is suspected of having laid the Red Sea mines, was impounded on Tuesday in Marseilles. According to press reports, the Ghat was in Marseilles for repairs when it was seized at the request of a French shipping company whose vessel reportedly has been held in Libya since 1979. French officials deny the seizure is related to accusations about the Ghat's role in the mining.

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Comment: Tripoli probably will try to play down the seizure as long as it receives little publicity. Extensive media speculation that the action is related to the Red Sea mining may prompt Qadhafi to do something dramatic, such as seizing some French property in Libya.

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IRAN-IRAQ:**Air and Ground Activity Increasing**

Attacks on ships in the Gulf are likely to increase in the next few days, as Iraq and Iran retaliate for each other's raids. [redacted]

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[redacted] an Iraqi air attack yesterday set a Cypriot tanker on fire 100 kilometers south of Khark Island. Press reports state that Iraqi aircraft also attacked an Iranian tug 10 kilometers west of the island on Thursday, killing six crewmen and wounding three others. Iranian aircraft attacked a Panamanian tanker last Saturday. [redacted]

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[redacted]
[redacted] According to press reports, the commander of Iranian ground forces on Thursday said that his units were fully prepared to launch the long-awaited major offensive. He declined, however, to give any date for the attack. [redacted]

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Comment: Tehran probably will respond to Iraq's raids by attacking shipping in the southern Gulf in the next few days. Baghdad may also increase its attacks to underscore its capability to hit selected ships and possibly raise the cost of trading at Khark Island. [redacted]

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Flooding continues to hamper Iranian military efforts around Al Basrah. Although Tehran probably still wants to launch an offensive, some Iranian leaders may have accepted the fact that a major attack in the south is impossible this year. Iranian commanders may decide to shift some of their units farther north—where the terrain is drier and where Iraqi defenses are weaker—for attacks this fall. [redacted]

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ISRAEL:**Peres To Get More Time**

President Herzog almost certainly will extend Labor Party leader Peres's mandate tomorrow to form a government, but Peres still has to persuade at least one more member of the Knesset to join his coalition. [REDACTED]

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The National Religious Party, which has four seats in the Knesset, and the TAMI Party, with one seat, are holding firm in their support for a national unity government. Peres and Prime Minister Shamir will meet again early next week to continue their talks aimed at forming such a broadly based coalition. [REDACTED]

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Comment: There is a less-than-even chance that Labor-Likud bargaining will produce a unity government. Peres will use the next three weeks to sound out the willingness of TAMI and the National Religious Party to join a Labor government if the talks with Likud fail. If the small religious parties fail to go along, Peres probably will try to gain the support of at least one more member of the Knesset to form a minority government. [REDACTED]

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Likud, meanwhile, will try to persuade TAMI and the National Religious Party to hold firm in their support for a broadly based coalition to increase Likud's leverage in talks with Labor. If Labor does not satisfy Likud's demands, the latter probably will join the opposition and wait for the disintegration of what it expects will be a fragile Labor coalition. [REDACTED]

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South Pacific Forum



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SOUTH PACIFIC: Nuclear-Free-Zone Initiatives

Proposals to create a South Pacific nuclear-free zone could generate a contentious debate at the annual two-day heads of state meeting of the South Pacific Forum beginning on Monday in Tuvalu. [REDACTED]

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According to US Embassy reporting, Australia intends to resubmit its proposal for a regional nuclear-free zone, which was discussed but not adopted at last year's session. The proposal safeguards ANZUS security interests by providing for unrestricted port access and unimpeded transit by nuclear-powered naval ships. [REDACTED]

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Canberra's moderate approach has been undercut in recent weeks by the new Labor government in New Zealand, which has banned port calls by nuclear-powered or nuclear-armed ships. According to New Zealand officials, Prime Minister Lange will not challenge the less restrictive Australian formulation. It is expected, however, that Lange will—at least by implication—suggest that the South Pacific island nations individually follow New Zealand's example on port bans.

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Comment: There is little likelihood of consensus at the Forum meeting. Fiji—concerned that creation of a nuclear-free zone would inhibit US naval activity in the South Pacific—is aligned with Tonga and the Cook Islands in opposing the nuclear-free-zone concept. Even Vanuatu, which bars nuclear ships from its ports, might not want to see its ban incorporated in a regional ban because of its fierce sense of independence. [REDACTED]

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Fiji's Prime Minister Mara, who sees himself as elder statesman of the South Pacific, plans to press his views on Lange when the New Zealander passes through Fiji en route to the Forum meeting. Early this month, however, Lange turned aside efforts by Australian Prime Minister Hawke to moderate his antinuclear stance, and he is unlikely to be swayed by Mara. [REDACTED]

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INDONESIA-USSR: Promoting Closer Trade Relations

Jakarta is showing increased interest in Moscow's overtures to improve bilateral relations, but a substantial shift in policy is unlikely. [redacted]

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President Soeharto called for improved relations with the Soviet Bloc in a speech on national day last week, and the Jakarta press has given the issue prominent play. [redacted]

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Meanwhile, Soviet overtures to the Indonesians are escalating. [redacted]

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The Soviets, moreover, are also pursuing several joint commercial ventures and have offered attractive loan terms to finance trade, [redacted]

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Comment: Indonesia's interest in improving its ties with the USSR chiefly reflects its desire to expand its export trade and increase leverage with Washington rather than a shift in policy. Jakarta and Warsaw Pact countries have sharply increased exchanges of trade and diplomatic delegations over the past year. Indonesia also opened four additional ports to Soviet merchant shipping in May. [redacted]

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Nevertheless, there is little prospect for a substantial increase in economic ties or general improvement in bilateral relations. Indonesian trade officials consider their Warsaw Pact counterparts inflexible and have been dissatisfied with past barter arrangements. [redacted]

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Jakarta also has rebuffed Soviet and East German offers of technological cooperation. Moreover, its overriding concern for security and its aversion to Communism will probably continue to limit contacts with Soviet personnel. [redacted]

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**SOUTH AFRICA-
IAEA:****Nuclear Safeguards Negotiations**

South Africa is showing interest in putting its uranium enrichment technology under international safeguards but still refuses to place its entire nuclear program under such controls.

[redacted]

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A high-level delegation of South African officials met with IAEA representatives in Vienna earlier this month to discuss Pretoria's offer to safeguard its commercial-scale enrichment plant under construction at Valindaba. IAEA officials told the US Mission that the South Africans rejected any suggestion that Pretoria accept comprehensive safeguards over its nuclear program, and they ignored reminders that safeguards would extend to those facilities using enriched uranium from the Valindaba plant. [redacted]

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The South Africans were reportedly forthcoming in providing new information about their enrichment technology. IAEA officials speculate that the aerodynamic process the South Africans use is "very different" from other enrichment technologies. Efforts to use a new safeguards system recently devised for centrifuge technology are "unlikely to work" in the South African situation. [redacted]

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Comment: Pretoria probably considers talks with the IAEA a convenient political shield to ward off attacks on its membership by Black African states. The appearance of progress in the talks about safeguards for the enrichment facility will make efforts to expel Pretoria from the IAEA more difficult. [redacted]

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At the same time, the South Africans, who refuse to ratify the nuclear Non-Proliferation Treaty, can preserve the option of operating or building additional nuclear facilities outside IAEA safeguards. Pretoria's opposition to comprehensive safeguards, however, will weaken the IAEA's credibility because it cannot monitor the production and disposition of all enriched uranium inside South Africa. [redacted]

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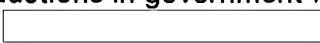
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NETHERLANDS-CENTRAL AMERICA: Foreign Aid Policy

The Dutch reportedly are planning to reduce "significantly" their aid to Nicaragua after 1985 while increasing aid to Costa Rica this year. According to the US Embassy in The Hague, Dutch Development Cooperation Minister Schoo last month proposed a general reduction in aid to Central America, including the unspecified reduction to Nicaragua, which has been receiving about \$16 million annually. After a recent trip to the region, Schoo asked for \$10 million in aid for Costa Rica—up from less than \$1 million last year. 

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Comment: The center-right Netherlands Government probably will adopt Schoo's proposals, despite protests from both the Labor Party and leftwing Christian Democrats who wish to continue reconstruction assistance to Nicaragua. Although the government will emphasize that repression in Nicaragua is the major reason for an aid reduction, it probably will also hope that the new proposals will assuage US concerns over past Dutch aid to Central America. Schoo expects that some of the reductions in government funds will be made up by private donors. 

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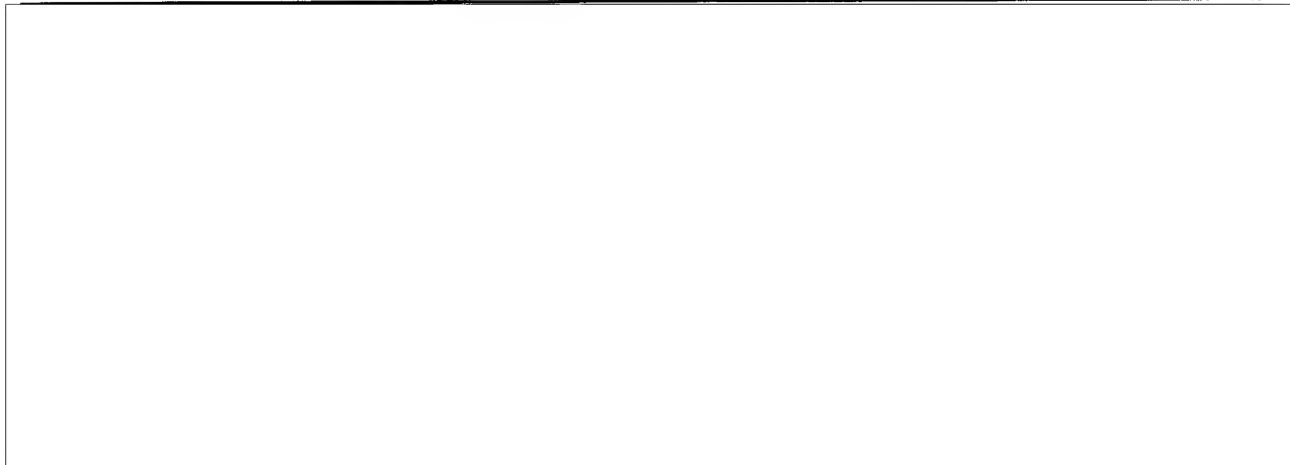

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In Brief



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Africa

- **Soviets** delivered 12 self-propelled and 24 towed anti-aircraft guns to **Congo** this spring . . . quantum jump in Congolese air defense capabilities . . . Congo faces no real military threat.
- Severe bomb damage to large **South African** Government building with at least five casualties reported . . . probably ANC protest against elections for Coloreds and Indians . . . police have detained more than 150 anti-apartheid activists this week.

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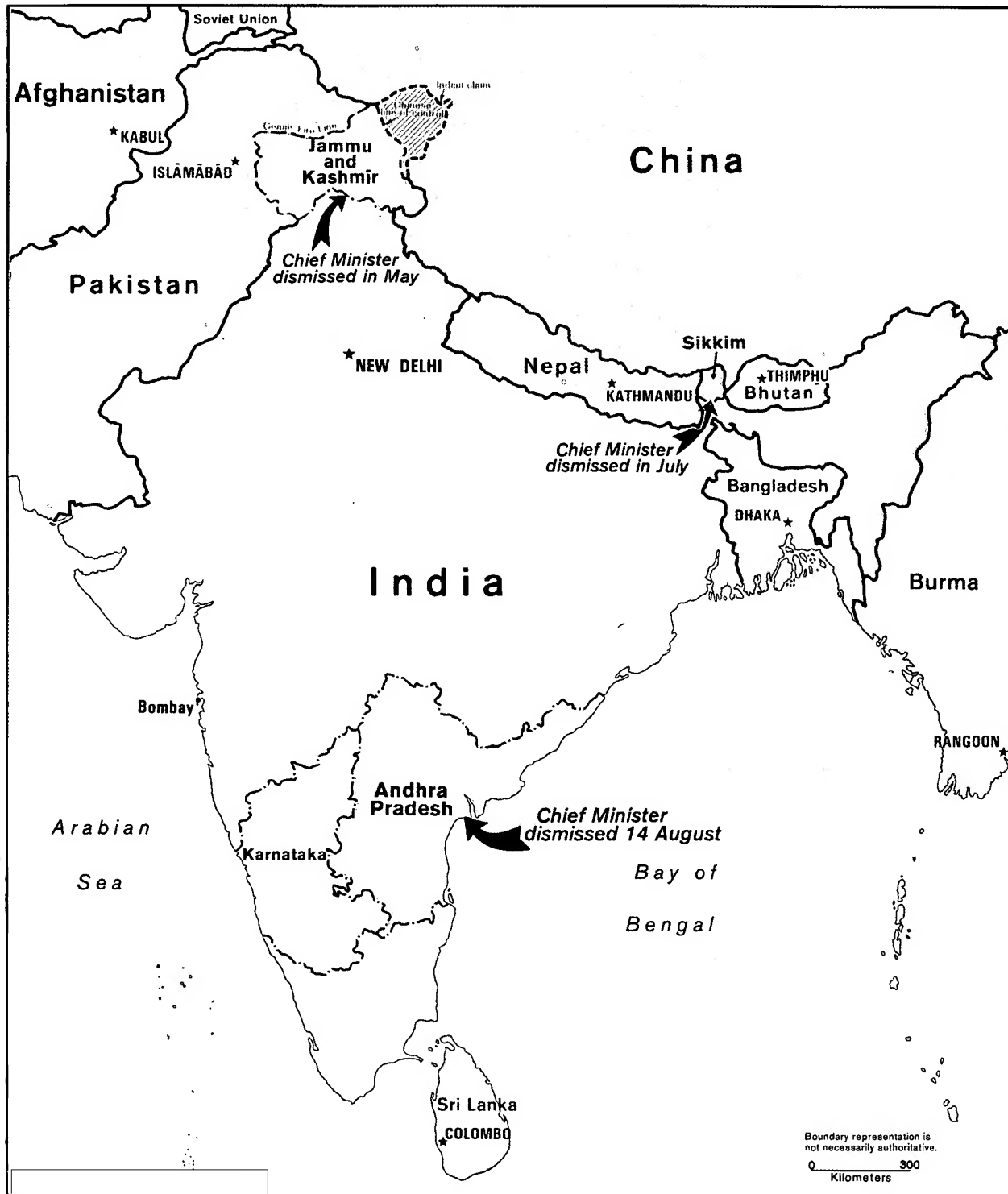
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Special Analysis

INDIA:

Implications of Protests

Prime Minister Gandhi's attempt to bring opposition-led states under her Congress Party's control have prompted the largest show of political opposition since her return to power in 1980. The nationwide protests sparked by the dismissal 10 days ago of Chief Minister Rama Rao of Andhra Pradesh have bolstered opposition party unity and put Gandhi on the defensive.

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Gandhi has publicly denied her complicity in Rama Rao's ouster and yesterday accepted the resignation of the governor who dismissed him. The opposition, however, charges that she is violating the constitution in order to secure a political advantage before the national election, which she has to call no later than January. Press reports state that some opposition leaders believe she may even suspend all elected state governments by declaring a national emergency, as she did in 1975.

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Three State Governments Changed

Andhra Pradesh is the third state since May in which a governor appointed by Gandhi has dismissed an elected chief minister and his government. In May Sikkim was placed under direct rule by New Delhi. Last month Chief Minister Farooq of Jammu and Kashmir was replaced by a political rival supported by the Congress Party.

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Gandhi's backers have sought to justify Farooq's dismissal by charging that he failed to maintain law and order, thereby permitting Sikh dissidents and pro-Pakistani separatists to threaten India's stability. Press reports indicate that the northern Hindus, whose votes Gandhi seeks, probably welcomed the crackdown on alleged dissidence in the predominantly Muslim state. The ouster in Andhra Pradesh, however, has provoked outrage from all opposition parties.

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Galvanizing the Opposition

The strikes, demonstrations, and meetings mark the first time that all major opposition parties have acted in concert since the coalition that toppled Gandhi disbanded in 1980. According to press reports, they plan to call a general strike soon.

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The ouster of Rama Rao is also providing new impetus to the electoral alliance announced by several non-Communist parties two weeks ago. The US Consulate in Bombay reports that local chapters of these groups in western India have stepped up efforts to cooperate. []

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Prospects

Gandhi probably will try to avoid actions in the next few weeks that are likely to promote opposition unity. She may, for example, try to restrain her backers in Karnataka State from resuming their efforts to bring down that government. []

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Gandhi knows that the prospects for a durable opposition coalition are problematic. The US Embassy in New Delhi says that even the new non-Communist alliance may founder on rivalries among the leaders. []

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Nonetheless, if opposition unity grows, Gandhi is likely to consider drastic moves to protect her parliamentary majority. She might even decide to use the protests as a pretext for suspending additional state governments, or even declare a state of emergency and postpone elections. []

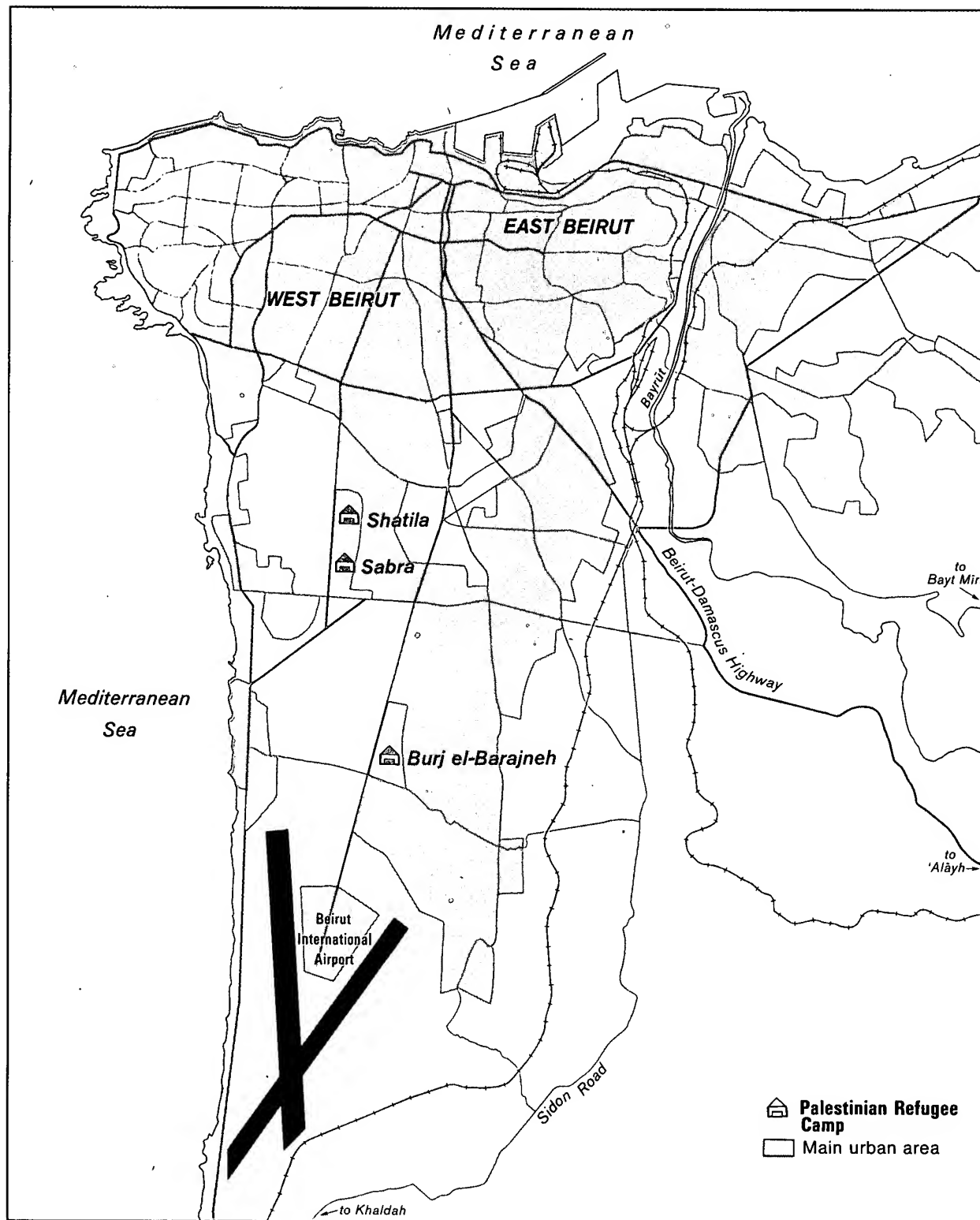
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Special Analysis**PALESTINIANS-
LEBANON:****PLO Fighters Return**

PLO fighters evacuated from Beirut and Tripoli are returning to Lebanon, although they appear unlikely to reestablish the kind of presence they had before the Israeli invasion of June 1982. []

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[] about 7,000 Palestinian fighters, representing all PLO factions, currently are in Lebanon. Probably no more than a few thousand fighters have returned from abroad. The rest are those who remained in Tripoli and the Bekaa area after the evacuations. []

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The US defense attache estimates that no more than 60 fighters are reentering Lebanon each month. [] the figure could be somewhat higher. []

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[] The reopening of the Beirut airport, however, gives the Palestinians a new route for infiltration. []

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About 2,000 fighters are located in West Beirut and the southern suburbs, although no single PLO faction has more than a few hundred men there. Fatah rebels are believed to be the largest group, with about 500 men. Most of the fighters are residing in the Sabra, Shatila, and Burj el-Barajneh refugee camps, where they reportedly have stockpiled weapons and ammunition. []

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The principal route of return has been through Shia Amal and Druze checkpoints. The fighters also have used the ferry from Cyprus. []

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PLO Intentions

The PLO's dispersed fighters have been demoralized by their isolation far from Israel's borders and by the restrictions placed on their activities by host countries. []

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Lebanon, with its unresolved internal problems, continues to be the only state in the region that affords the Palestinians the freedom they need to carry on their activities against Israel. So far, Palestinian attacks against Israeli soldiers have been conducted mainly in coordination with Lebanese Shia groups operating in the south. []

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The PLO will face a number of obstacles in trying to build up its strength in Lebanon. All of the major Lebanese militias want to prevent the Palestinians from regrouping in Beirut and the south. Even former Palestinian allies will restrict increased Palestinian activity because they fear that it will grow out of control. [REDACTED]

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The Israeli Assessment

Israeli assessments show a similar increase in the number of Palestinians in Lebanon. The Israelis are concerned but do not yet see a serious threat to their security. [REDACTED]

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Tel Aviv is unlikely to take any new action unless attacks against Israeli soldiers increase dramatically. The growth in Palestinian strength, however, will probably delay an Israeli withdrawal from Lebanon until Tel Aviv feels confident that security measures are adequate. [REDACTED]

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